

Message Text

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APPROVED BY EB/FTD:WRBREW

STR:MBSMITH

COMMERCE:AGAREL

LABOR:IKRAMER

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TO AMEMBASSY TOKYO

INFO USMISSION GENEVA

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E.O. 11652: N/A

TAGS: ETRD, JA

SUBJECT: US - JAPANESE TEXTILE NEGOTIATIONS

GENEVA FOR PHELAN

1. SUMMARY - FOUR DAYS OF DISCUSSIONS BETWEEN US AND JAPANESE TEXTILE DELEGATIONS LED TO PRELIMINARY AGREEMENT ON MOST OF A PACKAGE OF STEPS FURTHER LIBERALIZING THE BTLATERAL TEXTILE AGREEMENT. ONLY SIGNIFICANT TOPIC IN PACKAGE WHICH REMAINS UNRESOLVED IS PROPOSED CHANGE IN BASE PERIOD FOR CONSULTATION "CALL" LEVELS, FROM PERIOD OF OCT. 1971 TO SEPT. 1974 TO ONE REFLECTING MORE RECENT TRADE LEVELS (ROLLING STONE); BOTH DELS AGREED TO STUDY A NUMBER OF ALTERNATIVE FORMULATIONS AND TO MEET AGAIN, LIMITED OFFICIAL USE

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PROBABLY DURING NOVEMBER.

2. 1976 US - JAPANESE NEGOTIATIONS UNDER BILATERAL TEXTILE AGREEMENT WERE CONTINUED IN WASHINGTON ON SEPTEMBER 7, 8, 10 AND 17. JAPANESE DELEGATION WAS HEADED BY KIYOSHI TAKAHASHI (COUNSELOR OF CONSUMER GOODS BUREAU, MITI) AND INCLUDED SAITO (MFA), MOTOMURA (MITI), KANO (MITI), KITAJIMA (MFA) AND YOKOYAMA (MITI, ASSIGNED TO JAPANESE EMBASSY). U.S. DELEGATION WAS HEADED BY MINISTER MICHAEL B. SMITH (STR) AND INCLUDED ROBERT SHEPHERD (DEPUTY ASSISTANT SECRETARY FOR RESOURCES AND TRADE ASSISTANCE, DOC), ARTHUR GAREL, (DOC), IRVING KRAMER (LABOR), CHARLES ANGEVINE (STATE) AND WILLIAM BREW (STATE).

3. RESPONDING TO US PROPOSAL MADE DURING JUNE AND AUGUST MEETING IN TOKYO AND TO DECEMBER 1975 RECORD OF DISCUSSION THAT CONSULTATION CALL LEVELS REFLECT TRADE DURING PERIOD MORE RECENT THAN OCT. 1971 TO SEPT. 1974 (ROLLING STONE), TAKAHASHI STATED THAT PRESENT CONSULTATION MECHANISMS WERE BALANCED AND PROPERLY REFLECTED BOTH PEAK PERIOD AND RECENT EXPERIENCE. ALTHOUGH JAPANESE DID NOT NOW WISH TO MAKE RADICAL CHANGE, SUCH AS ALTERING BASE PERIODS, THEY WERE PREPARED TO LOWER GROWTH RATES. SAITO NOTED THAT MORE "RADICAL" CHANGE MIGHT BE POSSIBLE NEXT YEAR. BOTH SIDES AGREED TO STUDY A VARIETY OF POSSIBLE MECHANISMS, INCLUDING (A) STRETCHING THE HISTORICAL BASE PERIOD TO RUN FROM OCT. 1971 TO SEPT. 1975, (B) A SLIDING THREE YEAR BASE PERIOD, (C) THREE AND FOUR YEAR BASE PERIODS BEGINNING ON JAN. 1, 1972, AND (D) A THREE YEAR BASE PERIOD BEGINNING OCT. 1972.

4. AS PART OF PACKAGE DEPENDENT ON RESOLUTION OF ROLLING STONE, IT WAS AGREED THAT CATEGORIES 201 AND 202 WOULD CONTINUE TO BE EXEMPTED FROM THE COVERAGE OF THE AGREEMENT AND, AT JAPANESE REQUEST, CATEGORY 200 WILL BE TREATED IN THE SAME MANNER AS CATEGORIES 201 AND 202; THIS WILL REQUIRE REDUCING GROUP I LEVEL BY 46.1 MILLION SYE. SHIPMENTS IN CATEGORY 210 (OTHER THAN IMPRESSION CLOTH) WILL ALSO BE PERMITTED UP TO 19.3 MILLION SYE, EQUAL TO 1974 AGREEMENT LEVEL FOR THIRD YEAR (14.3 MILLION SYE) PLUS ADDITIONAL 5 MILLION SYE. ALTHOUGH DISCUSSED, NO LIMITED OFFICIAL USE

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CONCLUSION WAS REACHED CONCERNING ELIMINATION OF GROUP V LEVEL; CATEGORY CONSULTATION LEVELS IN GROUP V MAY BE ELIMINATED.

5. WITH RESPECT TO WOOL PRODUCTS, AGAIN AS PART OF PACKAGE, US AGREED TO DELETE THE REMAINING SPECIFIC LIMITS IN GROUP IV (CATEGORIES 104, 120, 124) AND TO GIVE ASSURANCE THAT IT WOULD ACCEPT SHIPMENTS IN CATEGORY 104

UP TO MINIMUM OF 65 PERCENT OF DELETED SPECIFIC LIMIT BEFORE SEEKING CONSULTATIONS; IF CONSULTATIONS WERE REQUESTED ON CATEGORY 104 BUT NO AGREEMENT WAS REACHED, RESTRAINT LEVEL WOULD BE 109 PERCENT OF ACTUAL TRADE DURING AN APPROPRIATE PERIOD, AN AMOUNT CLEARLY DIFFERENT FROM THAT APPLICABLE TO COTTON OR MMF CATEGORIES. NO DECISION WAS REACHED CONCERNING ELIMINATION OF GROUP VI LEVEL.

7. GAREL REPORTED THAT CATEGORY 200 AND 202 CLASSIFICATION PROBLEM WHICH HAD BEEN DISCUSSED DURING TECHNICAL SESSION IN TOKYO WAS APPARENTLY CAUSED BY AN ERROR ON THE PART OF AN IMPORTING BROKER. U.S. WAS COMPILING NEW STATISTICS AND WOULD REPORT TO JAPANESE. ON PRELIMINARY BASIS, JAPANESE CLASSIFICATIONS SEEMED CORRECT.

8. JAPANESE DELEGATION DOES NOT FEEL PRESSED TO COMPLETE NEGOTIATIONS ON LIBERALIZING PACKAGE BEFORE ANY SPECIFIC DEADLINE. WASHINGTON AGENCIES ARE PREPARING DETAILED NUMERICAL ANALYSIS OF VARIOUS ROLLING STONE ALTERNATIVES, FOR SUBMISSION TO JAPANESE THROUGH ECON COUNSELOR PIEZ OR, POSSIBLY, YOKOYAMA. PARTIES AGREED TO MEET AGAIN, POSSIBLY IN NOVEMBER, AFTER THEY HAD A CHANCE TO STUDY ROLLING STONE ALTERNATIVES.

. COMMENT - US DEL BELIEVES THAT SIGNIFICANT PROGRESS TOWARD LIBERALIZATION AND SIMPLIFICATION OF TEXTILE RESTRAIN ARRANGEMENT WAS MADE. RETICENCE OF JAPANESE DEL TO SUBSTITUTE CONSULTATION MECHANISM FOR SPECIFIC QUOTAS SEEMS TO STEM FROM NEWNESS OF MUCH OF JAPANESE DEL TO TEXTILE NEGOTIATIONS, DIFFICULTY FOR ALL JAPANESE INVOLVED IN FULLY ACCEPTING THAT JAPAN IS INCREASINGLY AN IMPORTER RATHER THAN EXPORTER OF TEXTILE PRODUCTS, AND EMOTIONAL COMMITMENT OF SOME PORTIONS OF JAPANESE TEXTILE LIMITED OFFICIAL USE

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INDUSTRY, PARTICULARLY WOOL, TO HIGH SPECIFIC LIMITS WHICH ARE VIEWED AS GUARANTEED ACCESS TO US MARKET (EVEN IF COMPETITIVELY IMPOSSIBLE). DESPITE THESE FACTORS, JAPANESE DEL IS NOW MORE CONFIDENT AND REALISTIC THAN DURING AUGUST MEETING. ROBINSON

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